

# Recovering by Fits and Starts

*Southwest Minnesota, with a heavy concentration of employment in manufacturing and agriculture, still hasn't recovered all the jobs that were lost in the recession.*

**T**he 23-county Southwest Minnesota planning region was home to 11,955 businesses and 173,940 jobs during the third quarter of 2014. That was about 6.3 percent of total employment in the state.

Southwest Minnesota has a much heavier concentration of employment in manufacturing and agriculture than any other part of the state. Like the rest of the state, however, the region has endured some ups and down over the last decade and a half, reaching an employment peak of 178,152 jobs in 2007 before dropping into a deep recession in 2009. In the five years since, the region has been slowly recovering.

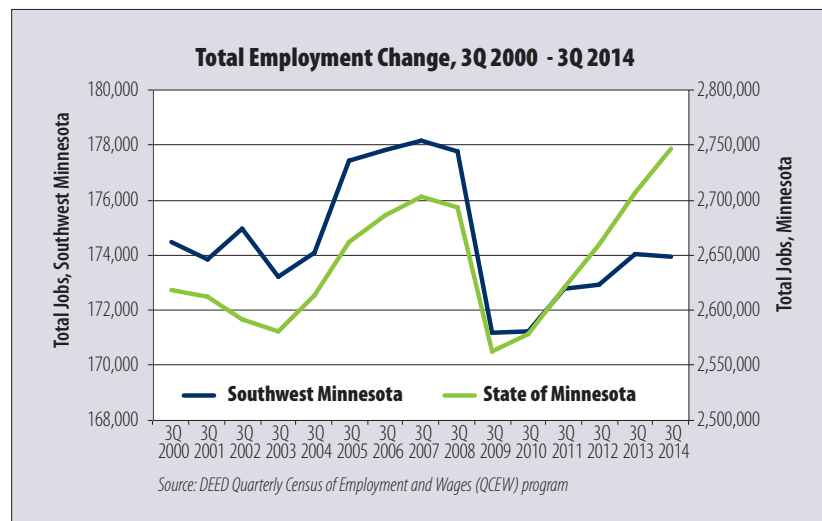
While the state regained all of the jobs that it lost during the recession by the third quarter of 2013, Southwest Minnesota still has not climbed back to its pre-recessionary peak employment level. The region has fewer jobs now than it did in the third quarter of 2000.

Southwest Minnesota matched the state's recovery in the first year coming out of the recession, but has struggled with much slower growth since 2011.

Employment data show the state consistently added about 40,000 jobs each year from the third quarter of 2010 to the third quarter of 2014, averaging about 1.6 percent job growth annually.

In contrast, employers in Southwest Minnesota have expanded payrolls in fits and starts, gaining more than 1,500 net new jobs from 2010 to 2011 and almost 1,100 jobs from 2012 to 2013. But the region added just 164 new jobs from 2011 to 2012 and lost about 100 jobs in the past year (see Figure 1).

FIGURE 1



## Not Fully Recovered

The region's job fluctuations were spread across several industries, with 14 of the 20 main industries losing jobs during the recession and 13 industries gaining jobs in the recovery. Overall, just eight industries have surpassed their pre-recessionary peaks.

Though manufacturing remains the largest employing industry in the region with more than 32,000 jobs, the sector saw the biggest decline during the recession. Manufacturing lost more than 4,000 jobs from the third quarter of 2007 to the third quarter of 2009. It has regained fewer than 600

of those jobs since then. The largest manufacturing cuts occurred in the printing sector, followed by significant declines in computer and electronic product manufacturing and transportation equipment manufacturing.

Other industries that are

TABLE 1

### Southwest Minnesota Industry Employment Statistics, Q3 2007-Q3 2014

NAICS Industry Title	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007 – Q3 2009	Change in Jobs Q3 2009 – Q3 2014	Change in Jobs Q3 2007 – Q3 2014
<b>Total, All Industries</b>	<b>11,955</b>	<b>173,940</b>	<b>\$1,640,911,093</b>	<b>-6,988</b>	<b>+2,776</b>	<b>-4,212</b>
Agriculture, Forestry, Fishing and Hunting	581	5,010	\$43,699,788	+82	+718	+800
Mining	27	431	\$6,803,471	-102	+108	+6
Construction	1,527	8,934	\$102,807,599	-1,134	+457	-677
Manufacturing	617	32,287	\$360,695,875	-4,224	+557	-3,667
Utilities	80	1,037	\$18,632,503	+74	+5	+79
Wholesale Trade	653	7,820	\$99,479,024	-197	-313	-510
Retail Trade	1,596	20,258	\$109,544,251	-517	+523	+6
Transportation and Warehousing	763	5,797	\$54,750,245	+33	+135	+168
Information	198	2,957	\$31,341,609	-148	-61	-209
Finance and Insurance	747	5,902	\$71,304,895	-106	+72	-34
Real Estate, Rental and Leasing	297	1,285	\$7,762,145	-159	+1	-158
Professional, Scientific and Technical Services	616	4,105	\$48,784,096	+160	+300	+460
Management of Companies	51	1,857	\$94,085,821	-208	-19	-227
Admin. Support and Waste Management Services	357	4,296	\$29,686,087	-780	+384	-396
Educational Services	227	11,470	\$117,811,809	-109	+80	-29
Health Care and Social Assistance	980	30,459	\$273,347,469	+1,115	+312	+1,427
Arts, Entertainment and Recreation	235	2,226	\$8,085,185	-63	-14	-77
Accommodation and Food Services	836	12,639	\$39,444,840	-649	-217	-866
Other Services	996	4,944	\$30,559,802	-214	-98	-312
Public Administration	571	10,219	\$92,284,579	+277	-157	+120

Source: DEED Quarterly Census of Employment & Wages (QCEW) program

struggling to regain jobs include accommodation and food services, construction and wholesale trade. All three would need to gain more than 500 jobs each to get back to 2007 employment levels.

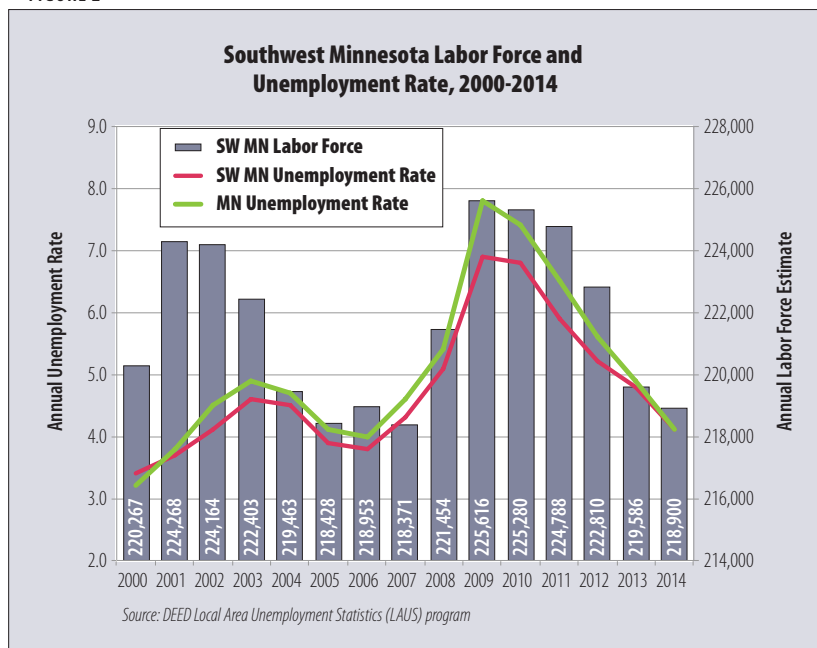
In contrast, the region's health care and social assistance industry added jobs during and after the recession, gaining more than 1,400 net new jobs from the third quarter of 2007 to the third quarter of 2014. Other industries that are in better shape now than before the recession include agriculture, forestry, fishing and hunting; professional, scientific and technical services; and transportation and warehousing (see Table 1).

## Ups and Downs

Like the economy overall, the region's unemployment rate and labor force have expanded and contracted over the last 15 years. Southwest Minnesota, however, has consistently had a lower unemployment rate than the rest of the state, including 13 of the last 15 years. Despite the job losses and a slower recovery, unemployment rates remained lower in Southwest Minnesota during the recession, before matching the state rate at 4.1 percent in 2014 (see Figure 2).

Like the unemployment rate, the size of the labor force in Southwest Minnesota has also

FIGURE 2



experienced ups and downs over the past 15 years. Southwest Minnesota's labor force grew at the beginning of the decade, dropped off due to the region's economic strength until 2007, then jumped in size as workers entered the labor force to make up for the lost income from layoffs during the recession.

Since then, while the state's labor force continued growing, Southwest Minnesota's labor force has been declining — dropping from a peak of 225,616 workers in 2009 to a low of 218,900 workers in 2014, which was about 1,400 fewer workers than the region started with in 2000.

### One-On-One

As the number of available workers has declined and the economy continues to recover, the region's labor market has tightened. One clear demonstration of this is the ratio of unemployed job seekers per vacancy, which now stands at 1-to-1 in Southwest Minnesota.

According to DEED's Job Vacancy Survey in the fourth quarter of 2014, there were 7,245 job vacancies reported by employers compared with 7,104 unemployed job seekers in the region. The number of job seekers per vacancy climbed as high as 6.3 in the depths of the recession in 2009, then

steadily inched back down before essentially evening out in the fourth quarter of 2014 (see Figure 3).

Going forward, employers will have to compete for available workers in the region to fill open jobs and continue to grow. Even as new workers enter and older workers remain, Southwest Minnesota's labor market will remain tight. **T**

FIGURE 3

